



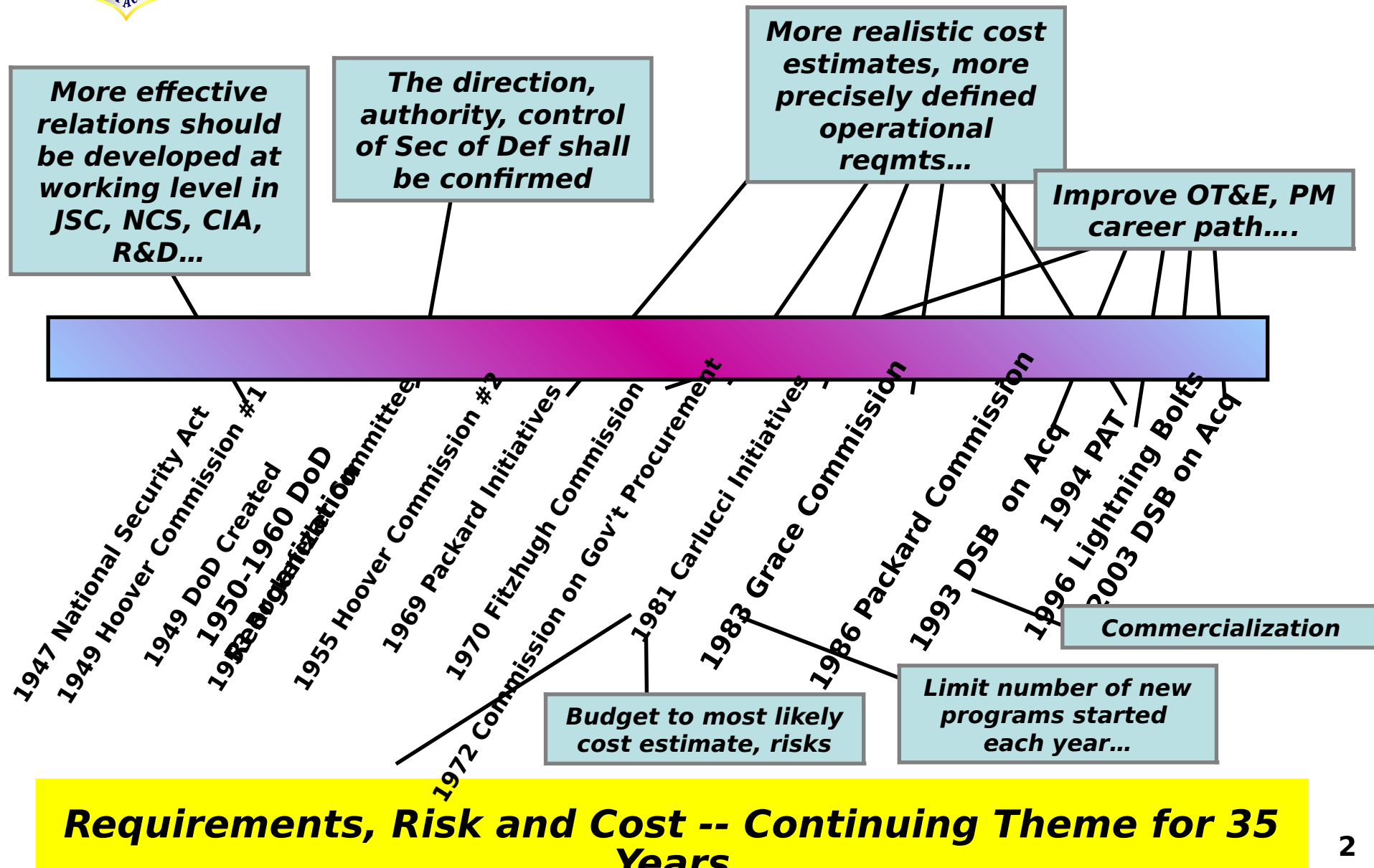
Air Force Space Command and National Defense Industrial Association Forum on Acquisition

Major Program Acquisition Juice Jensen

Lockheed Martin Corporation



DoD Acquisition Studies





Characteristics of Major System Acquisitions



From an Industry Perspective:

- These contracts require huge investments in B&P
- Most contracts require investment in IR&D, demonstrations, etc that drive up costs
- The procurement cycle is typically very long. Again, adding to cost
 - Awards may result from contracts bid in multiple phases PRDAs, down selects, multiple RFP drafts, prolonged evaluation periods, BAFO opportunity, then the final contract
- Industrial base may be a factor in source selections



Priorities For Major Acquisitions

Better acquisitions require:

- Requirements & funding stability
 - Current emphasis on low risk vs innovation
- Correct incentives: Industry does what we are incentivized to do
 - RFP eval factors, award fees, extensions
 - 1995-2001 cost was highest weight, now mission success
- Cost reasonableness and budgets with margin
- Heavy weight on good performance by incumbent
- Communicate without c.o. interference and sharing with competitors

Better strategic understanding requires:

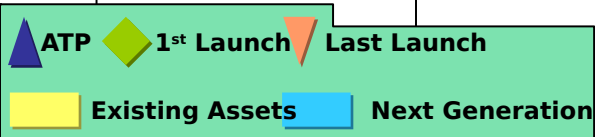
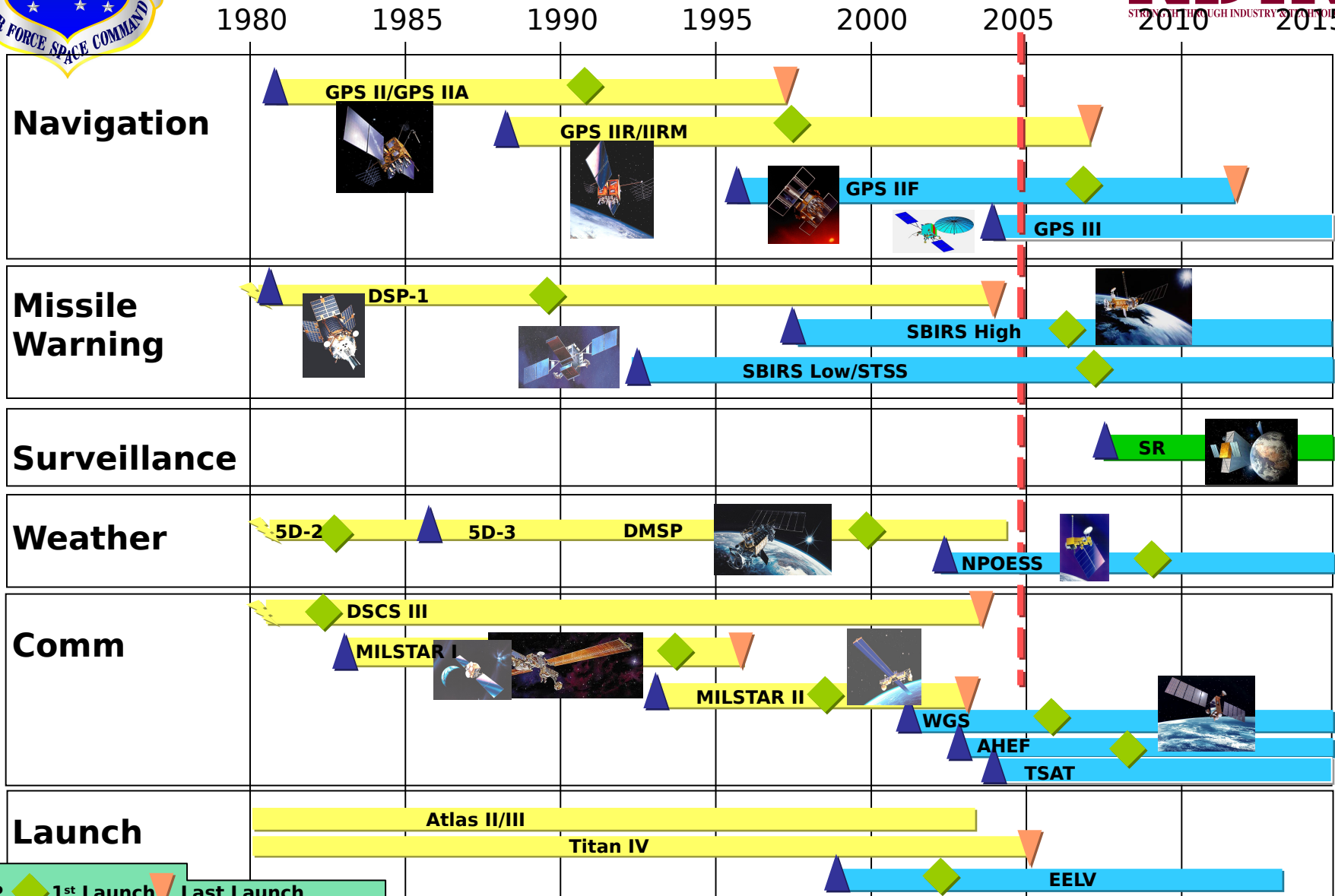
- Coordinated IRAD and Strategic Technology
- Budget insight



Back-up



Space in Transition - All at Once





Differences: New Ways to Partner?



DoD Approach to Lower Costs

- ***Continuous Competition***
- ***CAIV “Filter” for New System Developments***
- ***Acquisition Reform***

Single Most Important Factor in Cost Control Is Competition

Commercial Space Approach to Lower Costs

- ***Long-Term Alliances***
 - ***Incremental Product Changes***
 - ***Lower Cycle Times***
 - ***Stable Investment Environment***
 - ***Standard Products***
 - ***Streamlined Practices***
 - ***Design for Producibility***
- Single Most Important Factor in Cost Control Is Economies of Scale - Economic Production Factors***



DSB Acquisition Panel on Competition and Incumbency



- Incumbent contractor loses more than 90 percent of the time.
 - An incoming competitor is not “burdened” by the actual cost of an ongoing program, and thus can be far more optimistic
 - Recent RFP criteria incentivized aggressive bidding in cost and innovation
 - The cost of transitioning to new contractors is measured in billions of dollars of overruns
- The USecAF/DNRO should compete space system acquisitions only when *clearly* in the best interest of the government
 - New mission capability
 - Major new technology
 - Poor incumbent performance